

Bulletin 131

Investments for group self-insurers

August 6, 1982

Introduction -- The Bureau of Insurance has received requests from group workers' compensation self-insurers respecting investment of fund assets in other than those assets expressly eligible pursuant to Bureau of Insurance Regulation 250. This bulletin establishes classes of permissible investments that, if held by such funds, shall be regarded as comprehended within Section 3, (F), (1), (f), (8) of Regulation 250. This interpretation does not, however, preclude such further pronouncements respecting additional qualified investments at such times and under those conditions and constitute prudent holdings for self-insurance funds.

Effective when issued, this bulletin recognizes prudent additional investments for group self-insurers as follows:

Investments made pursuant to Section 3, (F), (1), (f), (8) shall not exceed, in the aggregate, 60 percent of all investable assets of the self-insurer. The following categories of prudent investments are now comprehended as eligible assets for worker's compensation self-insurance funds.

1. Certificates of deposit are permitted in banks located within the United States provided such banks are members of the Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC) and the value of such certificates of deposit do not exceed FDIC/FSLIC insured limits (\$100,000).

2. In addition and subject to the limits respecting any one issuing entity contained hereinafter, investments in certificates of deposit are permitted provided such are issued by large U.S. banks subject to the following conditions and limitations: Large banks are those possessing deposits in an amount not less than \$2 billion and with at least an "AA" bond rating. The rating of such banks is to be as a result of analysis by one of the three largest national rating agencies. Investable assets are to be those current assets represented by interest bearing cash deposits and cash equivalents, other permissible investments pursuant to Regulation 250 and investments as described hereunder and as reported in the investing fund's latest financial statement as filed with the Bureau of Insurance and adjusted to the current point in time of the making of such investments.

a. For funds with investable assets as enumerated not in amounts exceeding \$5 million, certificates of deposit (U.S.) are permitted in denominations not exceeding \$250,000.

b. For funds with investable assets as enumerated in amounts exceeding \$5 million, certificates of deposit (U.S.) are permitted in denominations not exceeding \$500,000.

3. Government National Mortgage Association issues with maturities not longer than six years are permitted hereunder.

4. Repurchase agreements are permitted provided that collateral thereunder is to be limited to Treasury Bills, Notes and Government Agency instruments with terms not exceeding two years.

5. A general diversification limit is hereby introduced to restrict investments hereunder in any one issuing entity, excepting the U.S. Government and its agencies, to an amount not exceeding 10% of the self-insurance fund's investable assets. Further, specific limitations are now established regarding permissible categories of investments as follows:

a. For category 1 investments, (see above) not more than 75%, in the aggregate, of investments permitted by this bulletin.

b. For category 2 investments, (see above) not more than 40%, in the aggregate, of investments

permitted by this bulletin.

c. For category 3 investments, (see above) not more than 25%, in the aggregate, of investments permitted by this bulletin.

d. For category 4 investments, (see above) not more than 60%, in the aggregate, of investments permitted by this bulletin.

Prudent additional investments, as permitted by this bulletin, shall recognize and provide for maturity dates for such investments staggered to obviate conversion to a mode to meet cash flow needs that results in penalties and foregone yields. All such investments shall, in recognition of the inherent necessity of principal security to pay claims in a timely fashion, give due consideration to existing secondary markets.

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